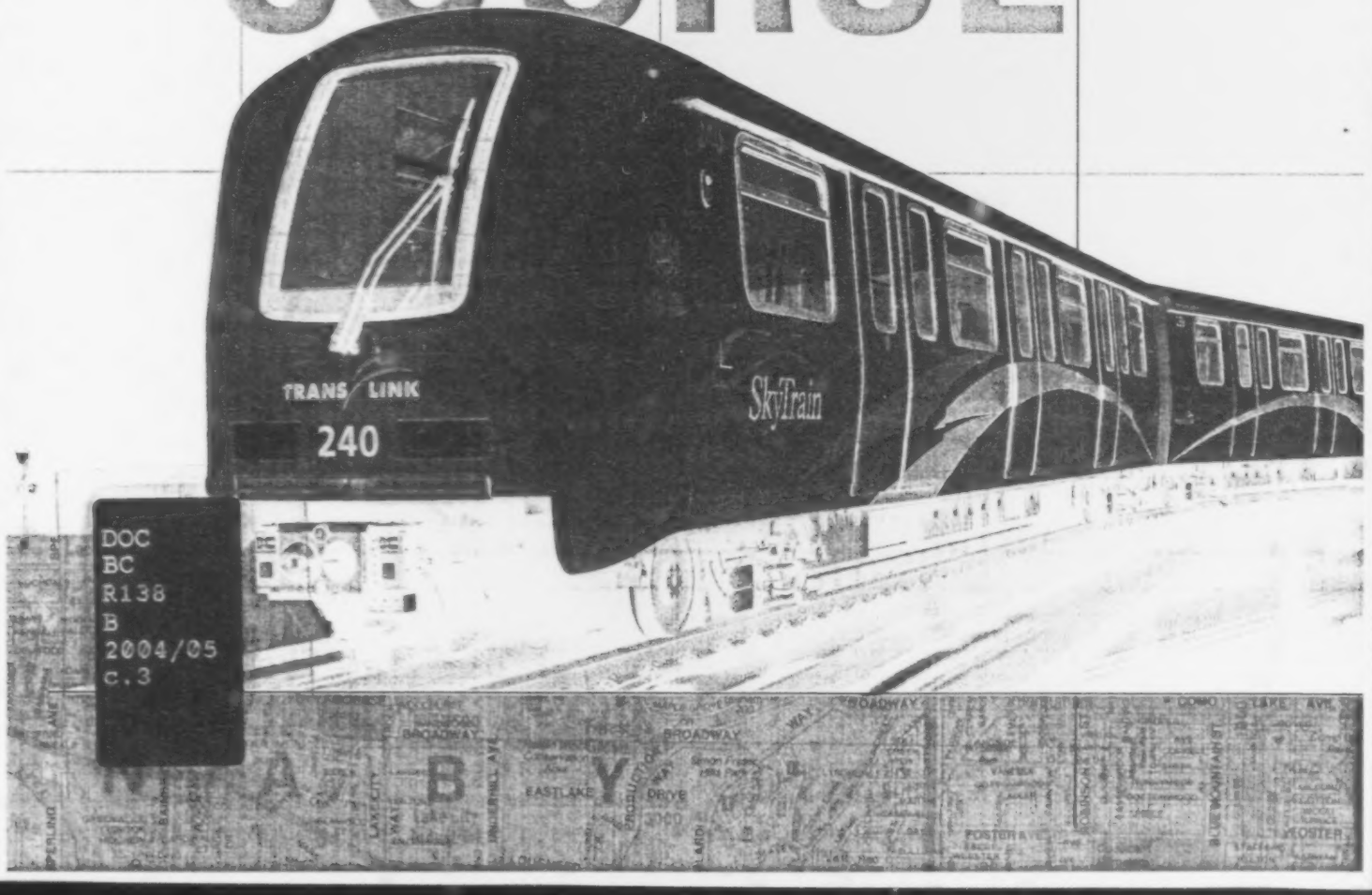
RAPID TRANSIT PROJECT 2000 LTD.

M Line
Millennium Line

ANNUAL REPORT 2004 – 2005

MAPPING THE COURSE



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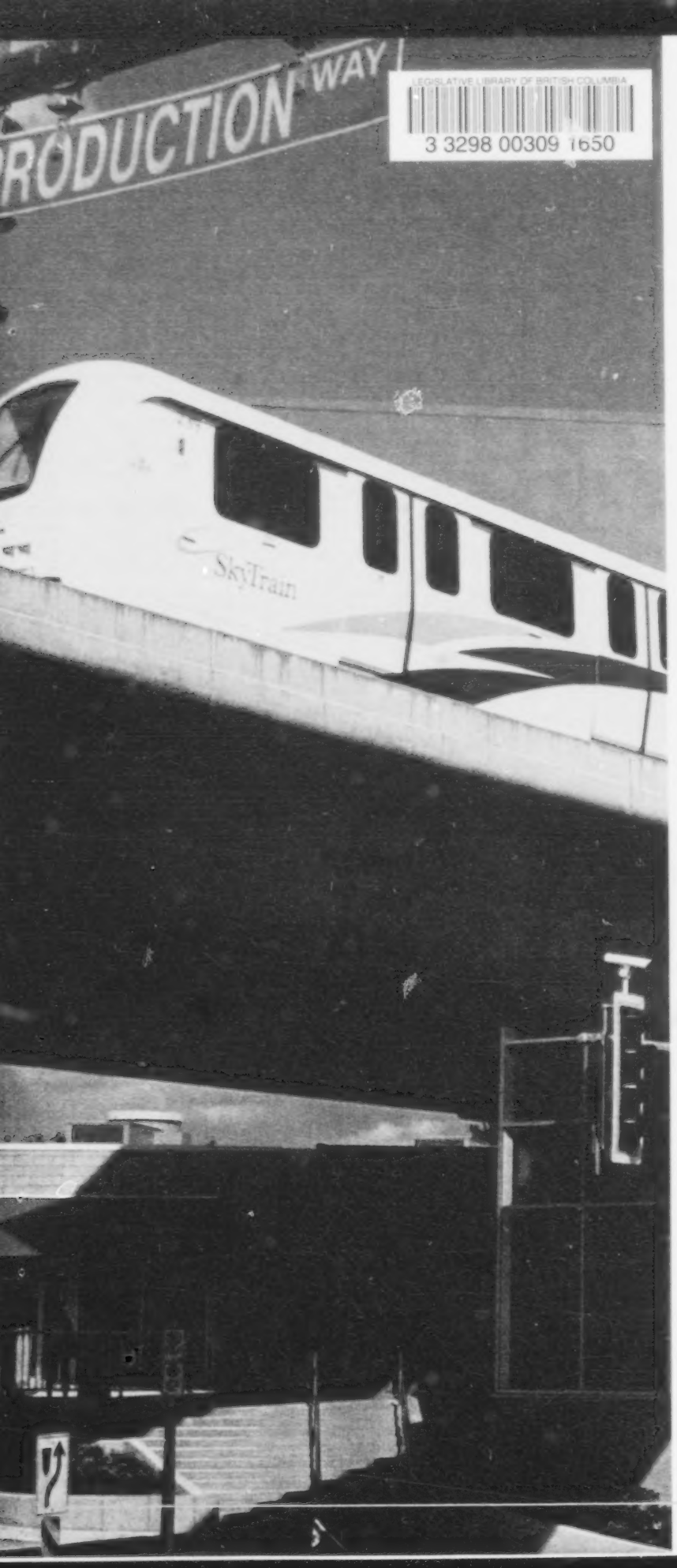

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MESSAGE FROM THE CHAIR

The Millennium Line, linking Vancouver and New Westminster via the Broadway-Lougheed corridor is nearing completion. When the final station at Vancouver Community College is completed in December 2005, the Lower Mainland will be home to the world's longest (48 km) fully automated rapid transit system in the world. This leading-edge system is an integral part of the traffic solution for the region and offers local residents and visitors to the area the choice to travel above the traffic – away from gridlock and parking problems.

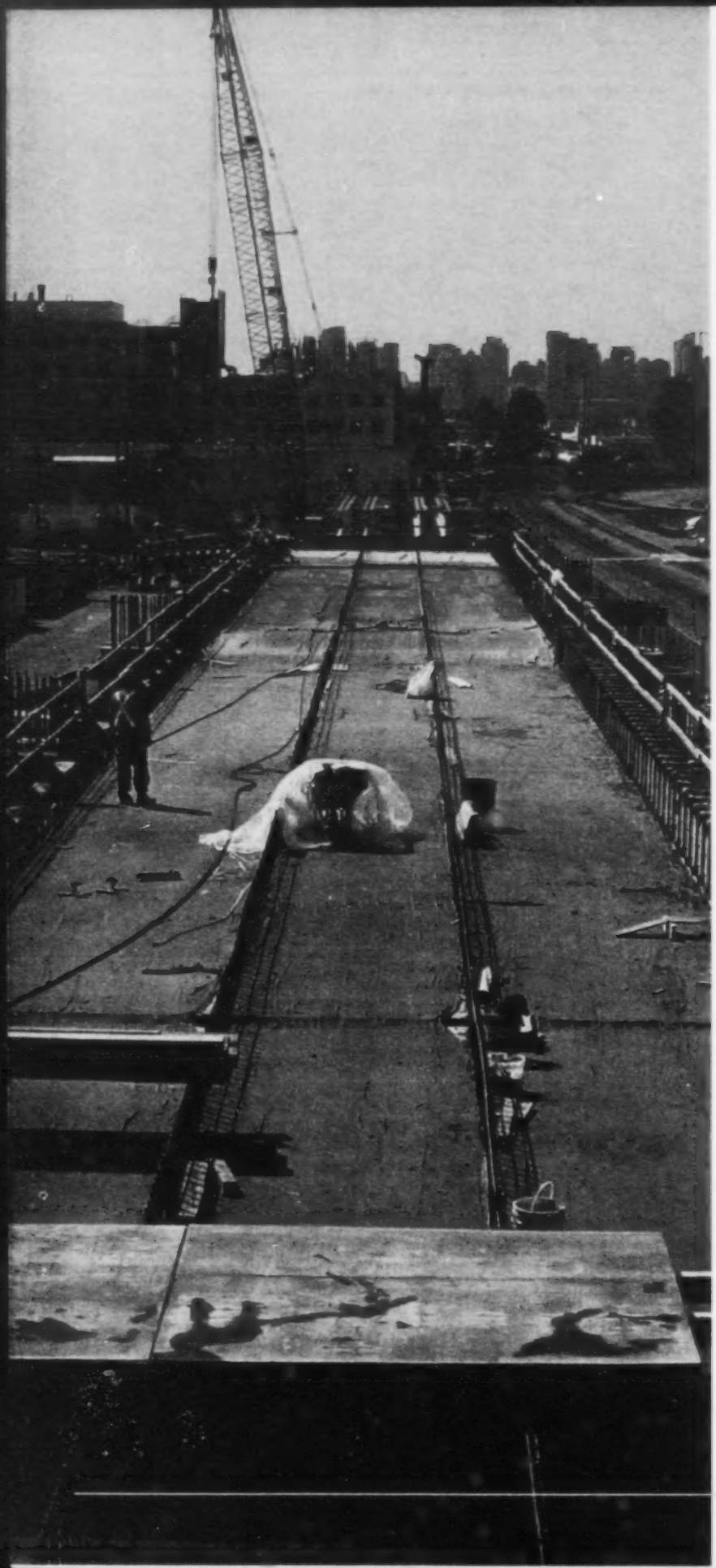
It is very gratifying to know that we offer a world-class rapid transit system that affords Lower Mainland's residents and visitors an environmentally friendly, fast and comfortable way to move around.

Dan Doyle, Chair
Board of Directors

ACCOUNTABILITY STATEMENT

The 2004/05 Rapid Transit Project 2000 Ltd. Annual Report was prepared under my direction in accordance with the Budget Transparency and Accountability Act. I am accountable for the contents of the report, including the selection of performance measures and how the results have been reported. The information presented reflects the actual performance of the Crown agency for the twelve months ended March 31, 2005. All significant decisions, events and identified risks, as of May 17, 2005, have been considered in preparing the report.

Dan Doyle, Chair
Board of Directors



MESSAGE FROM THE PRESIDENT & PROJECT DIRECTOR

The Millennium Line moved closer to completion in fiscal 2004/05 with the final leg – the VCC SkyTrain Station and associated guideway– mid-way through construction. The guideway work has been completed and the station is nearing completion. All work has been going very smoothly and completed on or ahead of schedule. The VCC SkyTrain Station and associated tailtrack will be handed over to the operator in December 2005 and put into revenue service in January 2006.

In addition, RTP 2000 personnel assisted other publicly funded major capital infrastructure projects, including Vancouver Convention Centre Expansion Project, Richmond Airport Vancouver Rapid Transit Project and Gateway Program, with their financial and governance policies, procedures and structures.

RTP 2000 continues to forecast a significant under-expenditure of its total budget.

A long term operating agreement for the Millennium Line with TransLink is nearing completion.

Colin E. Smith, P.Eng.
President & Project Director

MISSION

Rapid Transit Project 2000 Ltd. is a provincially held limited company incorporated under the *British Columbia Business Corporations Act* in 1998. RTP 2000's mandate is to:

- Design and construct the Millennium Line;
- Implement the terms of the Memorandum of Understanding between Bombardier and the Province;
- Participate in cost sharing negotiations between the Province and TransLink; and
- Undertake studies to determine the feasibility, acceptability, cost, implementation options, and financing strategies for lines to Vancouver West and Port Moody-Coquitlam.

RTP 2000's financial management is governed by the *Financial Administration Act*, *Financial Information Act*, and a fiscal agency agreement with the Ministry of Finance. A comprehensive protocol agreement defines RTP 2000's corporate relationship with the provincial government, including Board authority in respect of material decisions and reporting requirements.

The *BC Transit Amendment Act* and a previous agency agreement with BC Transit grants RTP 2000 the powers under the BC Transit Act to determine the alignment for the SkyTrain extension and acquire the property rights for the statutory right-of-way.

MINISTER RESPONSIBLE

Honourable Kevin Falcon, Minister of Transportation

BOARD OF DIRECTORS

RTP 2000 is led by a three-member Board of Directors.

- Dan Doyle (Chair, Board of Directors) – Deputy Minister, Ministry of Transportation
- Tamara Vrooman (Chair, Audit Committee) – Deputy Minister, Ministry of Finance
- Colin E. Smith – President & Project Director

EXECUTIVE GROUP

- Colin E. Smith, P.Eng. – President & Project Director
- Krista Freeman, CGA – Chief Financial Officer
- Margaret McInnes – Corporate Secretary
- Meiric Preece, P.Eng. – Project Manager

CONTACT INFORMATION

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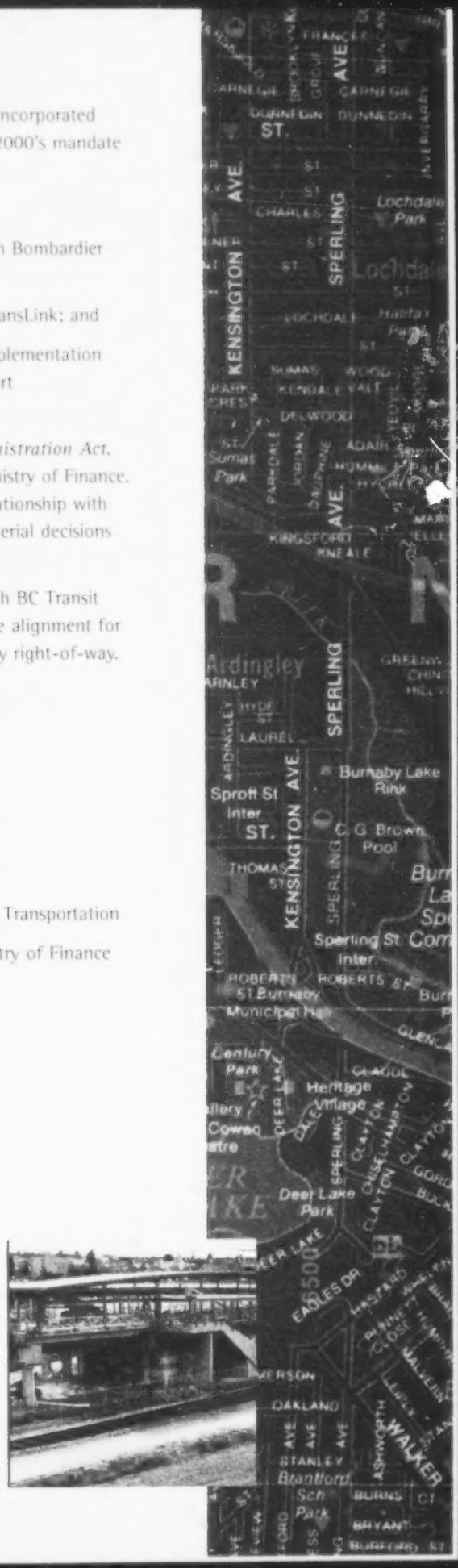
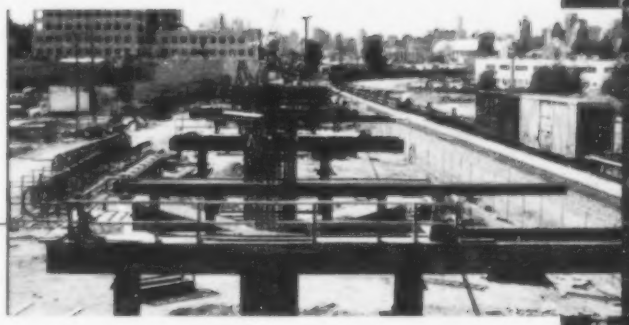




THE YEAR IN REVIEW

During the past year, RTP 2000 continued to work toward completing the Millennium Line project on schedule and significantly below budget.

MILLENNIUM LINE CONSTRUCTION

- Construction of the Vancouver Community College (VCC) Station and its associated tail track guideway commenced in late 2003. Guideway construction was completed in fiscal 2004/05. The Station is scheduled for completion on June 21, 2005.
- Track work, power rail and LIM rail installation was substantially completed. Electrical & Mechanical Systems installation will be undertaken in Summer 2005.
- The Station will be handed over to the operator, BCRTC, in December 2005 and put into revenue service in early 2006.

MUNICIPAL IMPROVEMENT FUND

- Design of the Sapperton Station walkway cover was completed. Construction will commence in the Spring of 2005.
- Production Way Bus Loop and Foreshore Park improvements were completed.
- VCC Station MIF work will commence in mid-2005.

PROJECT CLOSE-OUT

- RTP 2000 reached an agreement with the City of New Westminster for the close out of the New Westminster Access Agreement. The remaining issues with the cities of Vancouver and Burnaby are progressing towards resolution.
- RTP 2000 continues to conclude outstanding project tasks as outlined in the comprehensive close-out plan.
- RTP 2000 continues to downsize its staff as the project nears completion.

In May 1998, the provincial government approved a budget of $1.1665 billion to plan, design and build a new SkyTrain line (the Millennium Line) from New Westminster's Columbia Station to Vancouver Community College's King Edward Campus (VCC). Subsequently, five other related projects were approved:

- Lougheed Mall to Coquitlam definition phase ($6.8 million)
- VCC to Arbutus definition phase ($4.2 million)
- Negotiations ($1.7 million)
- Coquitlam pre-build ($29.3 million)
- Expo Line upgrades ($94 million)
- Municipal Integration Fund (MIF) ($35 million)

The Province of British Columbia also financed RTP 2000's acquisition of twenty MK II SkyTrain vehicles for TransLink to use on the existing Expo line. The $68 million total cost of the vehicles (including interest) has been fully recovered from TransLink.

Of the $17.5 budgeted for the Municipal Integration Fund, RTP 2000 has recovered $16.3 million from TransLink for completed MIF works to date.

MILLENNIUM LINE

The Millennium Line's budget includes:

- $831.4 million for direct costs, including the cost of the guideway, stations, operating systems, vehicles, and land.
- $122.3 million for design, management, public consultation, and communications.
- $212.8 million for borrowing costs, taxes, and project contingency.

As of March 31, 2005, project expenditures totaled $1,077.0 million. Total commitments for the Millennium Line at March 31, 2005 were $1,083.0 million.

OTHER PROJECTS

To March 31, 2005, expenditures on the other projects totaled $148.8 million of the $171.0 million approved budget.

All other projects are completed with the exception of the Municipal Integration Fund which will be completed in conjunction with the VCC Station and associated guideway.

TOTAL PROJECTS

For fiscal 2004/05, RTP 2000's authorized capital expenditure limit was $19.1 million of which $15 million was actually drawn upon. The mitigation of construction related risks, favorable interest rate trends, and the capitalization of interest during construction upon substantial completion of contracts, lessened RTP 2000's need to draw upon its approved capital funding for the year.

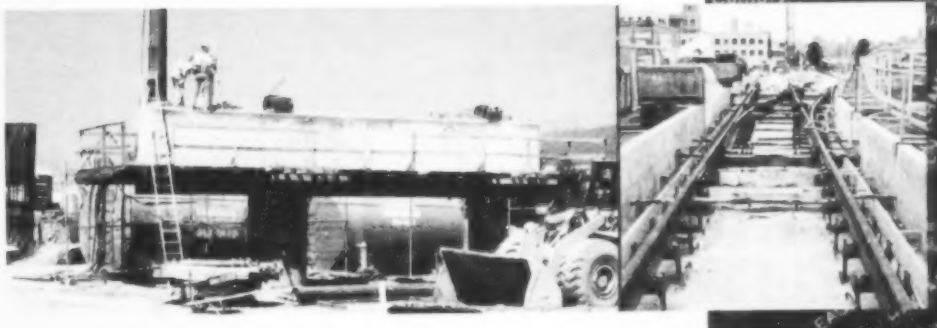
As of March 31, 2005, RTP 2000's remaining project contingency totaled $10 million.

RTP 2000 is forecasting that each of its approved projects will be completed under budget.

PROJECT MANAGEMENT

During the year, management continued to use a series of initiatives to enhance its integrated, scheduling, contract management and financial systems, including:

- Monthly cost reports to enable management and administration at both contract and work breakdown structure levels.
- Semi-annual financial reviews by external auditors.
- Quarterly reviews of project closeout and staffing plans.



FINANCIAL STATEMENTS

Annual financial statements to March 31, 2005, as audited by KPMG LLP are appended.

Financial Statements of

RAPID TRANSIT PROJECT 2000 LTD.

Years ended March 31, 2005 and 2004

KPMG LLP
Chartered Accountants
400 - 625 Agnes Street
New Westminster BC V3M 5Y4

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Fax (604) 527-3636
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AUDITORS' REPORT TO THE SHAREHOLDER

We have audited the balance sheet of Rapid Transit Project 2000 Ltd. as at March 31, 2005 and the statements of operations and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2005 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

New Westminster, Canada
May 5, 2005

KPMG LLP, a Canadian limited liability partnership is the Canadian member firm of KPMG International, a Swiss cooperative.

RAPID TRANSIT PROJECT 2000 LTD.

Balance Sheets

March 31, 2005 and 2004

	2005	2004
Assets		
Current assets:		
Cash	$ 1,529,400	$ 1,251,705
Accounts receivable	167,001	267,329
Due from related parties (note 5)	54,065	1,004,340
Due from Greater Vancouver Transportation Authority	7,886	203,508
Goods and Services Tax receivable	95,970	233,529
	1,854,322	2,960,411
Capital assets (note 3)	980,000,230	992,436,935
Design and project costs (note 4)	1,602,479	808,814
	$ 983,457,031	$ 996,206,160
Liabilities and Shareholder's Equity		
Current liabilities:		
Accounts payable and accrued liabilities	$ 1,937,970	$ 2,767,948
Due to related parties (note 5)	61,914	67,131
Lien holdbacks	395,675	728,162
Fiscal agency loan (note 6)	-	160,131
	2,395,559	3,723,372
Deferred contributions (note 7)	945,829,451	957,438,650
Shareholder's equity (note 8):		
Contributed surplus	35,232,020	35,044,138
Share capital	1	-
	35,232,021	35,044,138
	$ 983,457,031	$ 996,206,160

Commitments and contingencies (note 9)

See accompanying notes to financial statements.

Approved on behalf of the Board:

Director

Director

RAPID TRANSIT PROJECT 2000 LTD.

Statements of Operations

Years ended March 31, 2005 and 2004

	2005	2004
Revenue:		
Amortization of deferred contributions	$ 26,751,768	$ 29,459,828
Expenses:		
Amortization of capital assets	26,751,768	27,227,879
Amortization of design and project costs	-	2,231,949
	26,751,768	29,459,828
Net earnings	$ -	$ -

See accompanying notes to financial statements.

RAPID TRANSIT PROJECT 2000 LTD.

Statements of Cash Flows

Years ended March 31, 2005 and 2004

	2005	2004
Cash provided by (used in):		
Operations:		
Net earnings	$ -	$ -
Non-cash items:		
Amortization of deferred contributions	(26,751,768)	(29,459,828)
Amortization of capital assets	26,751,768	27,227,879
Amortization of design and project costs	-	2,231,949
	-	-
Investments:		
Capital assets additions	(14,315,063)	(11,598,531)
Increase in design and project costs	(793,665)	(943,192)
	(15,108,728)	(12,541,723)
Financing:		
Decrease in accounts receivable	100,328	2,242,818
Decrease (increase) in due from related parties	950,275	(572,780)
Decrease in Goods and Services Tax receivable	137,559	239,574
Decrease in due from Greater Vancouver Transportation Authority	195,622	5,624,049
Decrease in accounts payable and accrued liabilities	(829,978)	(6,973,994)
Increase (decrease) in due to related parties	(5,217)	12,597
Increase (decrease) in lien holdbacks	(332,487)	519,926
Decrease in fiscal agency loan	(160,131)	(3,358,002)
Increase in deferred contributions	15,000,876	13,616,122
Increase in accrued interest on deferred contributions	141,693	-
Increase (decrease) in contributed surplus	187,883	(89,148)
	15,386,423	11,261,162
Increase (decrease) in cash	277,695	(1,280,561)
Cash, beginning of year	1,251,705	2,532,266
Cash, end of year	$ 1,529,400	$ 1,251,705

See accompanying notes to financial statements.

1. Rapid Transit Project 2000 Ltd.:

Rapid Transit Project 2000 Ltd. (the "Company") is incorporated under the laws of British Columbia. The Company is exempt from tax under the Income Tax Act as it is wholly owned by the Province of British Columbia ("the Province").

Based on a Protocol Agreement with the Province, as represented by the Minister of Finance and by the Minister Responsible for Transit, the Company was incorporated to carry out the study, design, construction and development of a Rail Transit System (the "SkyTrain Extension") approved by the Province. In this capacity, the Company acts as an agent for the Province and conducts its activities in a manner consistent with general financial and management policies approved by the Treasury Board and the Province's Policy Framework for Crown Entrepreneurial Activities. Ongoing funding, banking, borrowing and investing activities related to the Project are carried out in accordance with applicable agreements between the Company and Provincial Treasury.

Effective January 7, 2002, Phase I of the Millennium Line (the "Line") was placed into revenue service under an interim use agreement by British Columbia Rapid Transit Company Ltd. ("BCRTC"), a subsidiary of the Greater Vancouver Transportation Authority ("GVTA"). Phase II of the Line was placed into revenue service on September 1, 2002 by BCRTC under a separate interim use agreement. The Company is currently completing the construction of the Vancouver Community College ("VCC") station and guideway, which fully completes the approved scope of the Millennium Line.

Currently, the Company is negotiating a long-term agreement for use of the Line with the GVTA.

2. Significant accounting policies:

(a) Basis of presentation:

Costs associated with the construction of the SkyTrain Extension are capitalized on the accrual basis to either capital assets or design and project costs.

(b) Capital assets:

SkyTrain Extension construction costs are recorded at cost including interest during construction. Amortization is charged upon commencement of revenue service operations over the estimated service life using the straight-line method at the following annual rates:

Asset	Rate
Computer software	3 years
SkyTrain extension	40 years
Vehicles	25 years

RAPID TRANSIT PROJECT 2000 LTD.

Notes to Financial Statements

Years ended March 31, 2005 and 2004

2. Significant accounting policies (continued):

(c) Design and project costs:

Design and project costs consist of start-up and pre-operating costs and include costs incurred during the design and definitions stage but before construction of specific segments of the Skytrain Extension.

If a project receives approval for construction by the Treasury Board, the deferred costs will continue to be deferred until the related assets are ready for revenue service at which time the costs are charged to operations.

If a project does not receive approval for construction by the Treasury Board, any related deferred costs are charged to operations when the project is ordered for closure.

(d) Deferred contributions:

Deferred contributions include capital and pre-operating contributions from the Ministry of Finance as well as attributed interest. Contributions for the construction of capital assets are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related capital assets. Contributions for pre-operating costs are recognized as revenue in the year in which the related expenditures are recognized.

(e) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements. Significant areas requiring the use of management estimates relate to the provision for accrued liabilities, contingencies and the amortization of capital assets, design and project costs, and deferred contributions. Actual results could differ from these estimates.

3. Capital assets:

	Cost	Accumulated amortization	2005 Net book value	2004 Net book value
Construction-in-progress ("CIP") (schedule)	$ 18,191,318	$ -	$ 18,191,318	$ 6,391,438
Completed construction (schedule)	1,028,875,267	102,298,375	926,576,892	951,001,360
Land in use	35,232,020	-	35,232,020	35,044,137
Computer software	736,913	736,913	-	-
	$ 1,083,035,518	$103,035,288	$ 980,000,230	$ 992,436,935

3. Capital assets (continued):

Included within capital assets is $19.4 million of land, which was expropriated under the Expropriation Act and has been registered in the name of BC Transit. A number of previous owners of expropriated land have challenged the expropriated value. Any difference between the amounts paid and subsequently reassessed will be recorded in the period of reassessment. The balance of the land, $15.8 million, is registered in the Company's name.

Completed construction costs include other project costs consisting of municipal integration costs, systems upgrades to the current SkyTrain system and to the Operations and Maintenance Centre to accommodate the new Mark II vehicles, and funds advanced by the Company for a Provincially approved pre-build of a connection at Lougheed Town Centre Station for the future Port Moody-Coquitlam Line. The Company is entitled to receive reimbursement from the GVTA of up to $17.5 million for 50% of the Municipal Integration Fund costs and up to $86.8 million for the costs of the system upgrades.

As at March 31, 2005, the Company has $1.0 million remaining to be recovered for future costs under the Municipal Integration Fund contract.

Construction-in-progress consists of costs associated with the construction of VCC Station and guideway which is scheduled for completion in December 2005.

Included within construction-in-progress are management estimates of liabilities which may result from negotiations with contractors relating to contract changes.

4. Design and project costs:

Costs incurred to date	2005	2004
Communications	$ 2,000	$ 2,000
Finance and administration	1,385,835	706,713
Other	214,644	100,101
	$ 1,602,479	$ 808,814

Design and project costs relate to the VCC Station and guideway project.

5. Related party transactions:

The following table summarizes the Company's related party transactions during the period not otherwise disclosed:

	2005	2004
Ministry of Finance	$ 237,373	$ 226,100
Vancouver Convention Centre Expansion Project Ltd.	95,355	55,967
BC Transportation Financing Authority	56,175	37,603

These transactions, which are with common-controlled enterprises, are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

The following amounts represent balances outstanding as at March 31, 2005 with related parties:

	2005	2004
Due from:		
BC Transportation Financing Authority	$ -	$ 864,302
Fraser Health Authority	-	5,645
Ministry of Finance	-	2,805
Ministry of Transportation	918	24,643
Partnerships British Columbia	-	824
Vancouver Convention Centre Expansion Project Ltd.	53,147	106,121
	$ 54,065	$ 1,004,340
Due to:		
Ministry of Finance	$ 54,600	$ 53,087
Vancouver Convention Centre Expansion Project Ltd.	7,314	14,044
	$ 61,914	$ 67,131

The amounts due from related parties are due on demand and have arisen from the secondment of staff. The amounts payable to related parties are due on demand and have arisen from the secondment of staff and shared project office costs.

6. Fiscal agency loan:

At September 30, 2004, the fiscal agency loan was fully repaid. The fiscal agency loan represented monies borrowed from the Ministry of Finance to make deposits on 20 new Mark II SkyTrain vehicles and for upgrades to the existing system (note 3). The fiscal agency loan was unsecured and comprised a series of short-term discounted notes which were continually rolled over. The notes bore interest at rates ranging from 2.00% to 3.15%. The fiscal agency loan was repaid as funding was received from the GVTA for the 20 new Mark II SkyTrain vehicles and for upgrades to the existing system.

7. Deferred contributions:

Deferred contributions are comprised of funding received as non-repayable Prepaid Capital Advances ("PCAs") as well as attributed interest from the Ministry of Finance for the design, planning and construction of the SkyTrain Extension and the related pre-operating costs. The deferred contributions have been funded by the Ministry of Finance by way of short-term notes and long-term notes. Interest, when attributed by the Province, for the short-term and long-term notes is capitalized to the PCAs.

Funding for the deferred contributions of the project is as follows:

	2005	2004
Short-term discounted notes	$ 2,744,456	$ 112,609
Short-term interest capitalized and not refinanced through short-term notes	332,482	312,383
Long-term notes	1,052,902,910	1,040,345,698
Accrued interest on deferred contributions	89,037,804	88,896,111
Interest reinvestment (included in accrued interest on deferred contributions)	(17,122,037)	(17,101,638)
Amortization of deferred contributions	(146,834,144)	(120,082,376)
	981,061,471	992,482,787
Deferred contributions funded for land in use (note 3)	(35,232,020)	(35,044,137)
	$ 945,829,451	$ 957,438,650

Interest during construction is being attributed by the Province at rates approximating 2.22% - 6.62%.

Deferred contributions funded towards the purchase of land have been shown as a direct increase to contributed surplus.

8. Shareholder's equity:

The Company has authorized and issued one common share without par value to Her Majesty the Queen in right of the Province of British Columbia.

The contributed surplus consists of deferred contributions funded for land in use.

9. Commitments and contingencies:

(a) Operating lease commitments:

The Company is committed to payments under operating leases as follows:

2006	$ 57,031
2007	7,510
2008	7,510
2009	1,877

(b) Construction-in-progress:

As at March 31, 2005, the Company is committed to future capital expenditures of approximately $5.3 million for contracts currently entered into with respect to the SkyTrain Extension.

(c) Contract changes under review:

At March 31, 2005, there were various contract changes under review. The Company has accrued its estimated cost related to these items. Any difference between amounts accrued and eventually paid will be recorded in the period of payment.

10. Comparative figures:

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted for the current year.

RAPID TRANSIT PROJECT 2000 LTD.

Schedule of Construction Costs

Years ended March 31, 2005 and 2004

Costs incurred to date	2005	2004
SkyTrain Extension:		
Electrical and mechanical systems	$ 232,643,350	$ 232,719,888
Guideway	361,640,467	361,174,480
VCC Station and Guideway	18,191,318	6,391,438
Stations	99,714,473	99,714,473
Systems wide elements	8,265,280	8,251,778
Deposits on vehicles	106,831,492	109,506,332
Design	26,216,474	26,212,446
Public consultation	4,375,856	4,375,856
Property management	5,335,441	4,982,605
Project controls	11,130,530	10,995,203
Engineering and design management	12,192,399	12,153,549
Construction management	17,512,643	17,507,205
Insurance	4,497,580	4,499,379
Interest	81,112,208	77,367,004
Other	11,325,641	11,313,387
GST	-	-
Operations and Maintenance Centre	7,279,646	7,279,646
	1,008,264,798	994,444,669
Other project costs:		
Municipal Integration Fund:		
Costs	32,049,124	31,432,088
Amounts recovered from GVTA	(15,774,051)	(15,431,222)
Amounts recoverable from GVTA	-	(35,441)
	16,275,073	15,965,425
Less: MIF purchased land currently in use	(4,113,876)	(4,111,278)
	12,161,197	11,854,147
Systems upgrade:		
Costs	81,569,415	81,569,415
Amounts recovered from GVTA	(81,569,415)	(81,569,415)
Amounts recoverable from GVTA	-	-
	-	-
Coquitlam Pre-build	26,640,590	26,640,590
	38,801,787	38,494,737
	$ 1,047,066,585	$ 1,032,939,406
Consists of:		
Construction-in-progress	$ 18,191,318	$ 6,391,438
Completed construction	1,028,875,267	1,026,547,968
	$ 1,047,066,585	$ 1,032,939,406